

# Thrift Savings Plan

## FEB Track 1 EMC

### Day 1

**Presented by:**

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Federal Retirement Thrift Investment Board**

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# Learning Objectives



Recognize TSP as a part of your retirement benefits package.



Be able to identify the limits and types of TSP contributions.



Understand the differences of traditional or Roth contributions offered as options in the TSP.



Develop a basic understanding of the TSP investment funds and the new mutual fund window.

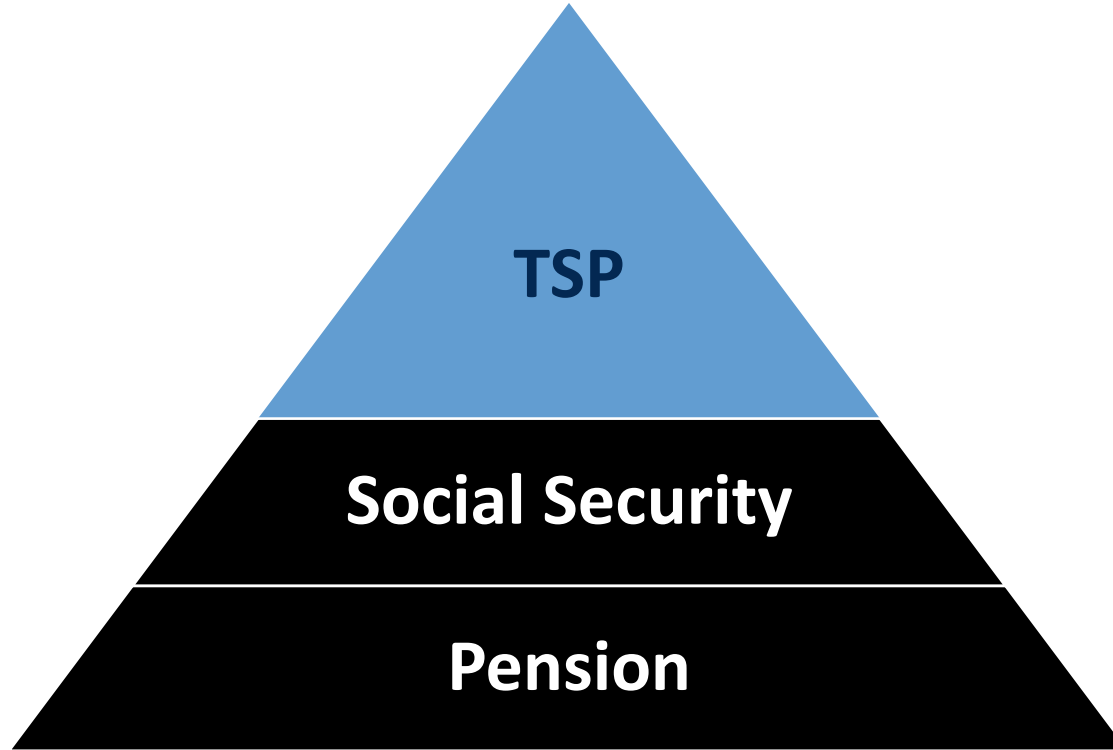


Locate resources to learn more about the TSP

A photograph of a man with glasses and a mustache, wearing a pink shirt, sitting at a wooden desk. He is looking out a large window with a diamond-patterned frame. On the desk, there is a wooden block, a small bowl, and some papers. The text "Why is TSP so important to me?" is overlaid in blue.

**Why is TSP so important to me?**

# Components of Retirement Income





# Where to Start

What is a defined contribution (DC) plan?

What makes the TSP different from a defined benefit (DB) plan?



# What is a defined contribution (DC) plan?

## A defined contribution plan:

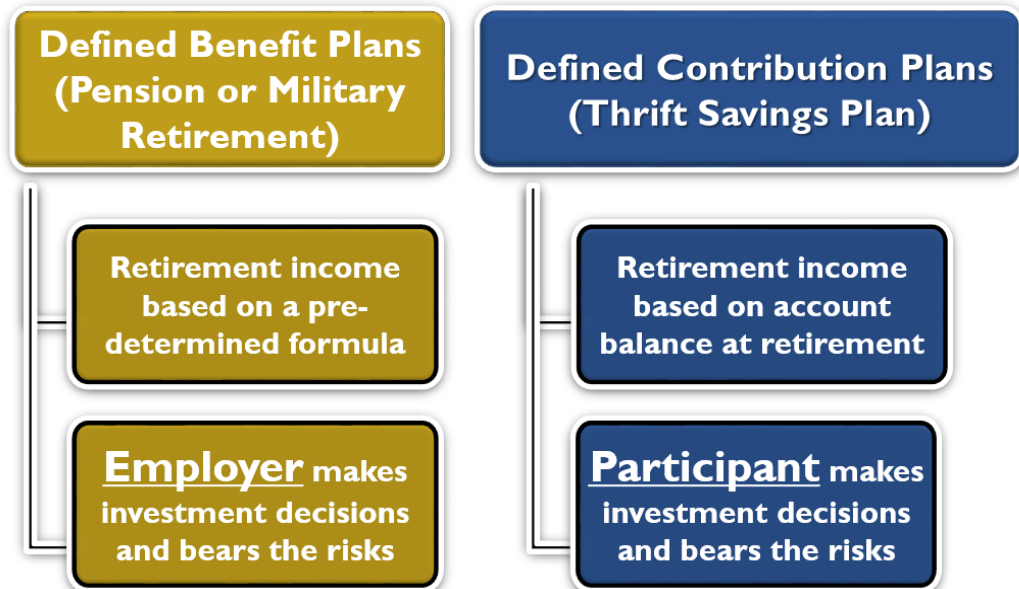
- only specifies what the employer and the participant (employee) contributes to the participant's account.
- does not promise a specific amount of benefits at retirement.
- the benefit payable to a participant at retirement is determined by the amount of contributions made to the plan on that participant's behalf, plus investment earnings on those contributions over time.

## Examples of defined contribution plans:

- include 401(k) and 403(b) plans, SIMPLE IRAs and profit-sharing plans, among others.

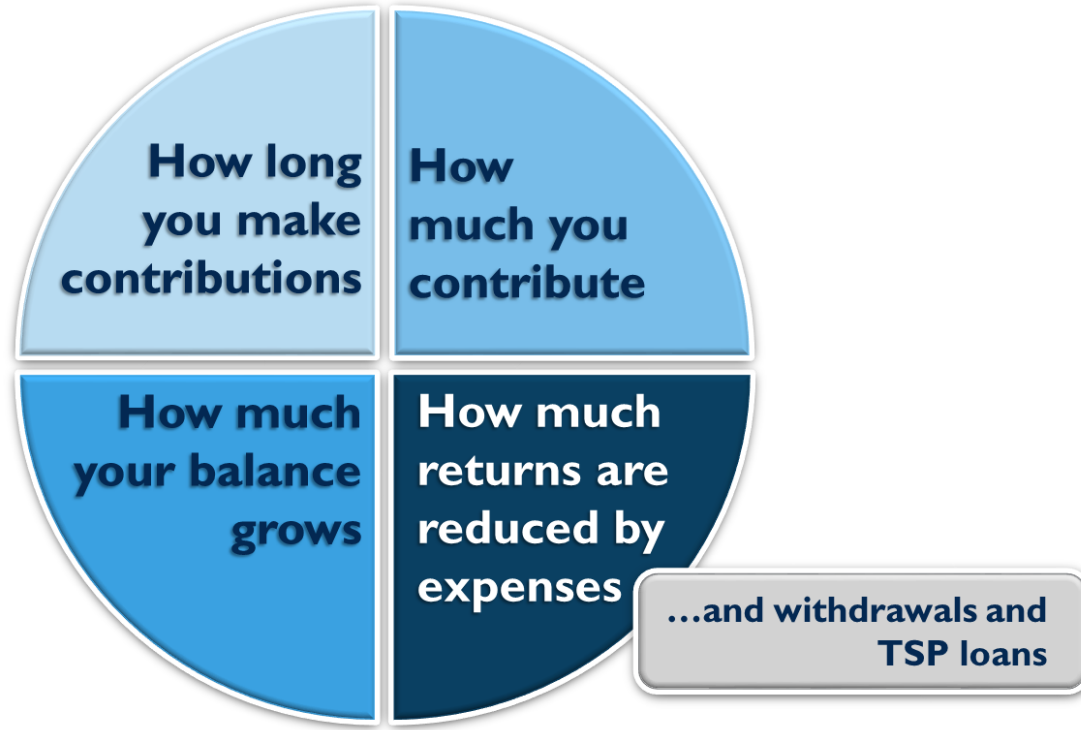
# What is a defined benefit plan?

- A defined benefit plan specifies exactly how much retirement income employees will get once they retire.





# Your TSP account balance at retirement depends on:



# TSP's Total Expense Ratio 2022

\*<https://www.tsp.gov/tsp-basics/administrative-and-investment-expenses/>

For 2022, the average of the total expense ratio was \$0.64 per \$1,000 invested.



Your share of TSP average total expense is based on the size of your account balance.

For example, the total expense ratio for the L2035 Fund for 2022 was .064%. Therefore, if you invested in the L2035 Fund in 2022, earnings were reduced by 64 cents per \$1,000 of your L2035 Fund balance.

# Costs of investing with the TSP (2022)

G Fund	F Fund	C Fund	S Fund	I Fund	L Income	L 2025	L 2035	L 2045	L 2055	L 2065
<b>Gross administrative expense ratio</b>										
0.067%	0.068%	0.068%	0.068%	0.068%	0.067%	0.068%	0.068%	0.069%	0.069%	0.069%
<b>Net administrative expense ratio</b>										
0.057%	0.058%	0.058%	0.058%	0.058%	0.057%	0.058%	0.058%	0.059%	0.059%	0.059%
<b>Investment expense ratio</b>										
0.000%	0.020%	0.001%	0.032%	0.006%	0.003%	0.004%	0.006%	0.007%	0.008%	0.008%
<b>Total expense ratio (Net admin + Investment)</b>										
<b>0.057%</b>	<b>0.078%</b>	<b>0.059%</b>	<b>0.090%</b>	<b>0.064%</b>	<b>0.060%</b>	<b>0.062%</b>	<b>0.064%</b>	<b>0.066%</b>	<b>0.067%</b>	<b>0.067%</b>

**Average administrative expense = .064%**

**This equates to 64 cents per \$1,000 of account balance for the year**

**Have you looked at  
your TSP  
contribution  
election recently?**



# Your contribution election is based on either



Automatic Enrollment (5% for new participants)



Your Payroll System Entry



Paper Form (TSP-1/TSP-U-1)

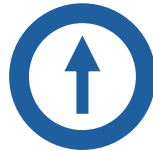
# Contributions continue unless you



Make a new election  
to change the amount



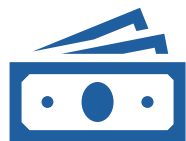
Choose to stop your  
contributions



Reach the IRS  
contribution limit

# To change your contribution amount

Use your payroll system or form TSP-1/TSP-U-1 to select:



\$ or % per pay period

## Receiving the Full Agency or Service Contributions

You will receive the full Agency or Service Matching contribution for **each pay period** you contribute 5% (or more) of your basic pay.

### What does this mean for me?

If you reach your annual limit early or stop contributing for any reason, you will not receive matching contributions for those pay periods.



# Don't miss out on Agency Contributions

Your Contributions	Agency Automatic (1%) Contribution	Agency Matching Contribution	Total Contribution
0%	1%	0%	1%
1%	1%	1%	3%
2%	1%	2%	5%
3%	1%	3%	7%
4%	1%	3.5%	8.5%
5%	1%	4%	10%
More than 5%	1%	4%	Your contribution + 5%

# Agency/Service Contribution Considerations

Your contributions can be a combination of traditional and/or Roth.

- No vesting requirement.

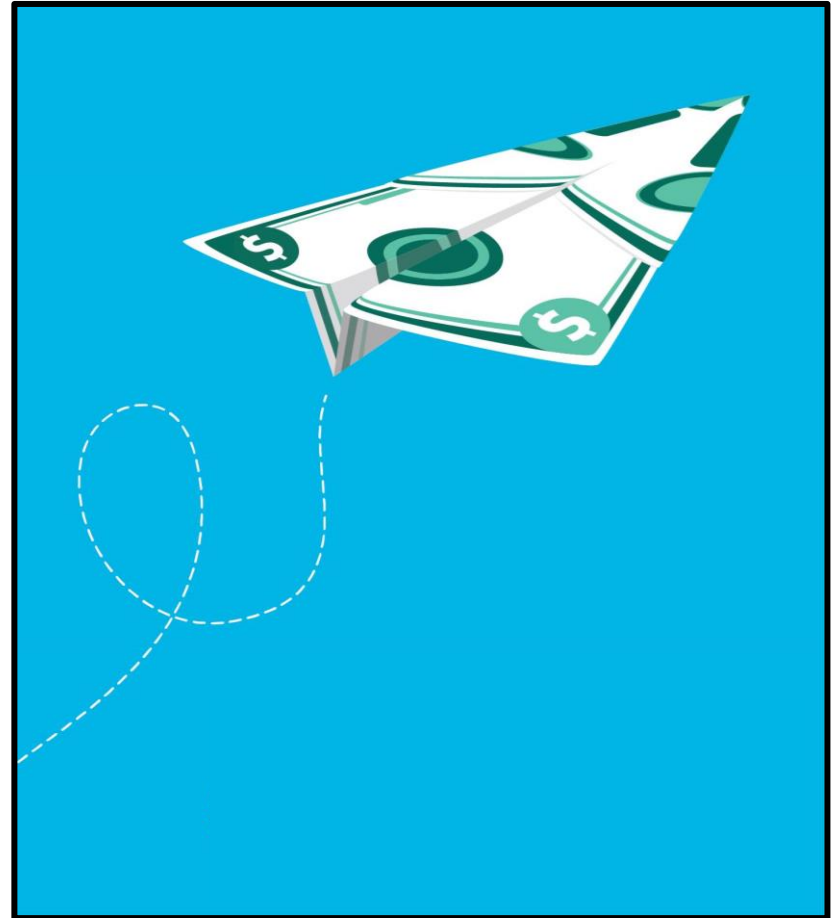
Agency Automatic (1%) Contribution is always traditional and FERS, FSPS employees receive immediately.

- 3-year vesting requirement for civilians in most cases.
- 2-year vesting requirement for Members of Congress, congressional employees, and some excepted civilian positions.
- 2-year vesting requirement for BRS participants.

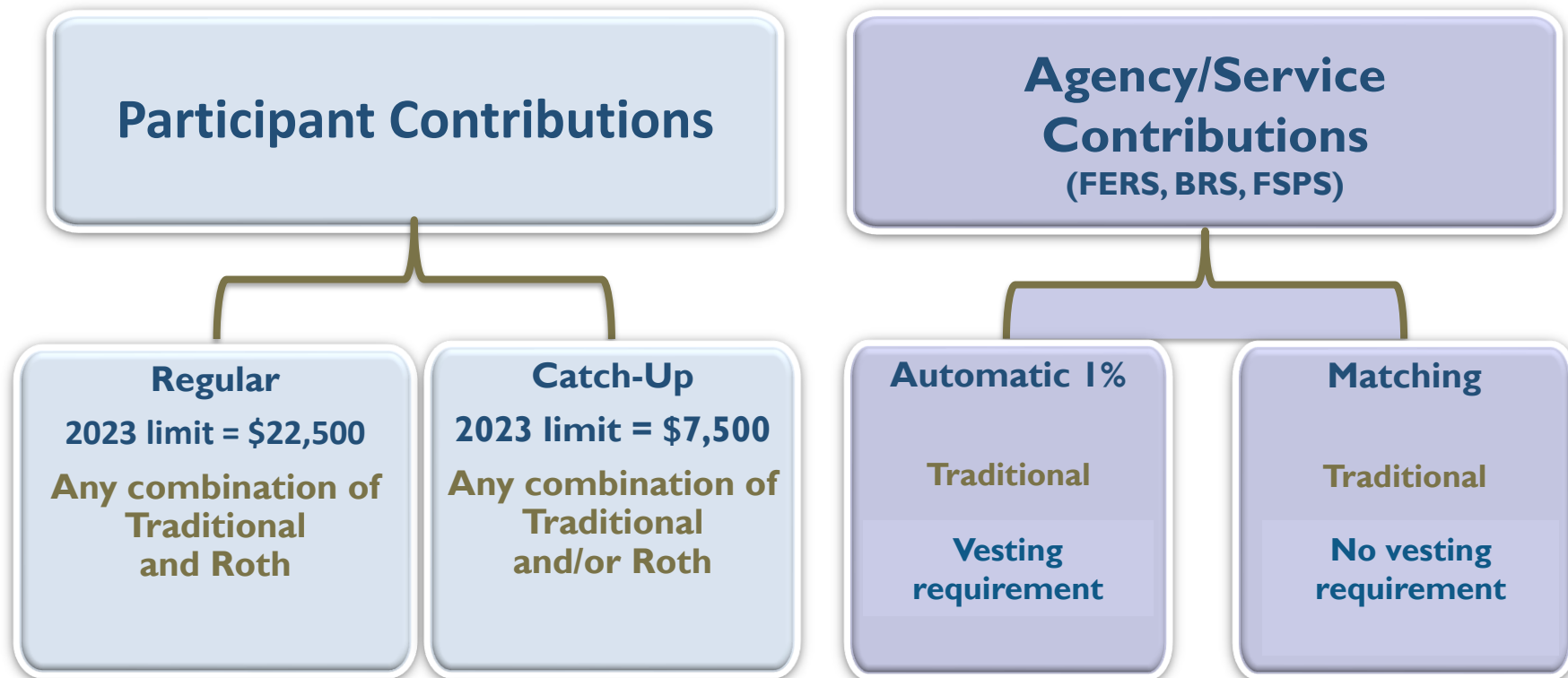
Agency Matching Contribution is always traditional and FERS employees are eligible immediately.

- No vesting requirement.

**What is the max  
you can  
contribute to the  
TSP?**



# Contribution Sources and Limits



# Catch-up Limit

**\$7,500 for 2023  
IRS Catch-up limit**

## ✓ Age 50 and over

- Beginning in the year you turn 50, you **may** make additional contributions above the Annual Elective Deferral limit (\$22,500 for 2023).
- Once you exceed the elective deferral, your contributions **automatically** start counting toward the catch-up limit.
- These contributions will qualify for the match up to 5% of your salary.

# Annual Addition Limit

**\$66,000 for 2023  
IRS Annual Addition  
limit**

## All Ages

**The total amount of all contributions made in a calendar year.**

- Can impact members of the Uniformed Services receiving tax-exempt pay.
- Does not include catch-up contributions.
- Catch-up contributions are no longer matched if you hit the Annual Addition Limit.

# What counts toward Elective Deferral & Annual Addition limits?

## Elective Deferral 402(g) \$22,500 (2023)

- Participant Contributions
  - Taxable Pay
    - Traditional and Roth TSP
  - CZTE Pay
    - Roth TSP

## Annual Addition 415(c) \$66,000 (2023)

- Participant Contributions
  - Taxable Pay
    - Traditional and Roth TSP
  - CZTE Pay
    - Traditional and Roth TSP
  - Incentive, Special and Bonus Pay
- Service Contributions
  - Automatic 1% of Basic Pay
  - Matching Contributions (maximum 4%)

# Roth vs. Traditional: Which choice is best for you?





# Do you need the tax benefit *now* or *later*?

## Traditional Contributions

...are made before taxes are taken out, which means you'll pay taxes when you withdraw your money.

## Roth Contributions

...are when you pay taxes up front, so during retirement, you'll receive qualified Roth distributions tax-free.

It's your choice.



# Qualified Roth Earnings

Roth earnings become qualified (tax-free) *if*:

5 years  have passed since January 1 of the year you made your first Roth contribution,

**And**

You have reached age 59½, have a permanent disability, or are deceased.

# Qualified Roth Earnings Cont.

- Prior participation in a Roth 401(k) transferred into TSP counts toward the 5 years.
- Nonqualified earnings are tax deferred and subject to IRS 10% early withdrawal tax unless participant meets an exception.
- Roth TSP is not a Roth IRA.



# Roth TSP vs. Roth IRA Limits 2023

	<b>Roth Employer Plans (e.g., Roth TSP)</b>	<b>Roth IRA</b>
<b>2023 Income Limits</b>	Available to all participants regardless of income	Not available to taxpayers with income above certain limits: MFJ - \$218,000 to \$228,000 MFS - \$0 to \$10,000 All others - \$138,000 to \$153,000
<b>2023 Contribution Limits</b>	\$22,500 (plus, an additional \$7,500 if turning age 50 or older)	\$6,500 (\$7,500 if turning age 50 or older)

# To change your contribution type

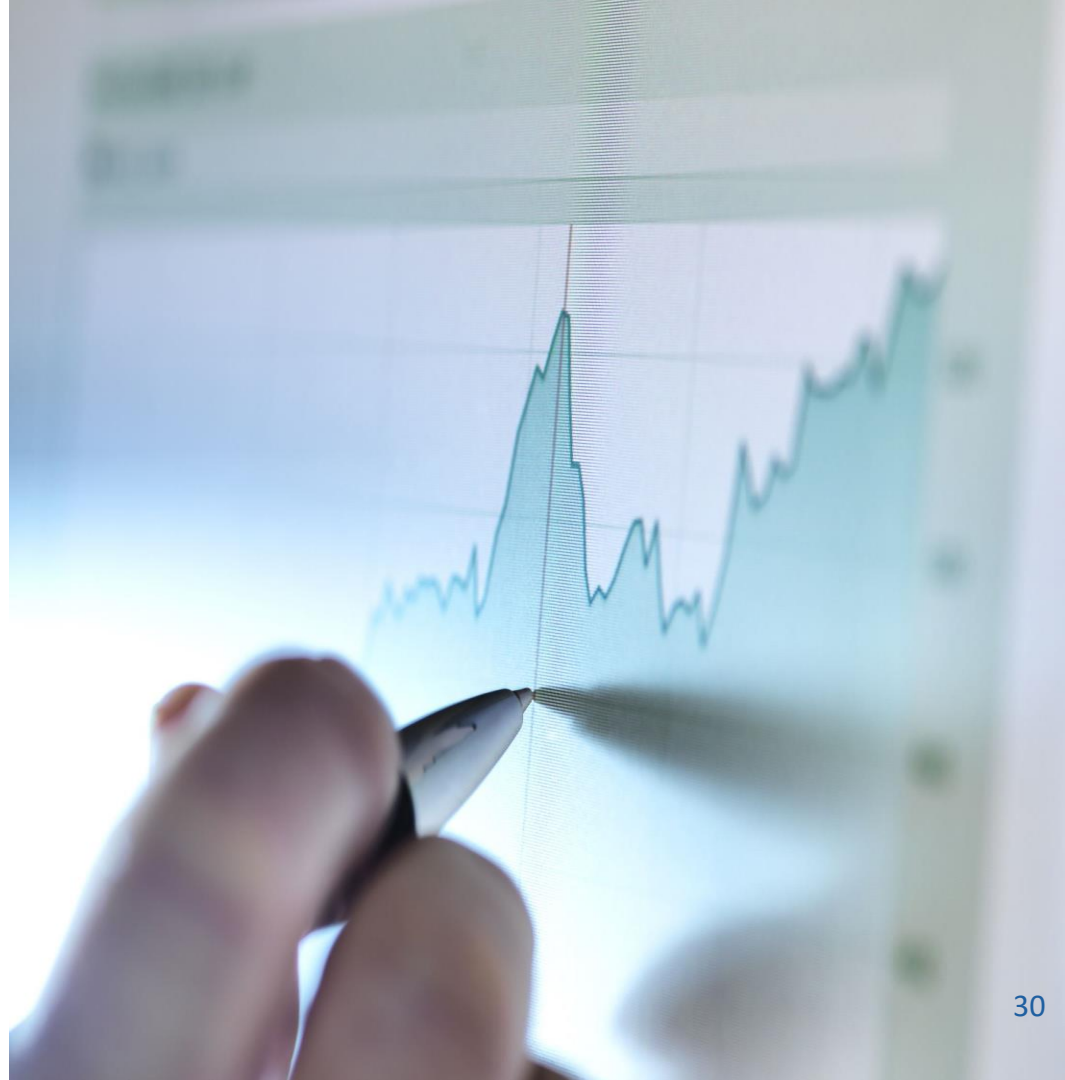
Use your payroll system or form TSP-1/TSP-U-1 to select:



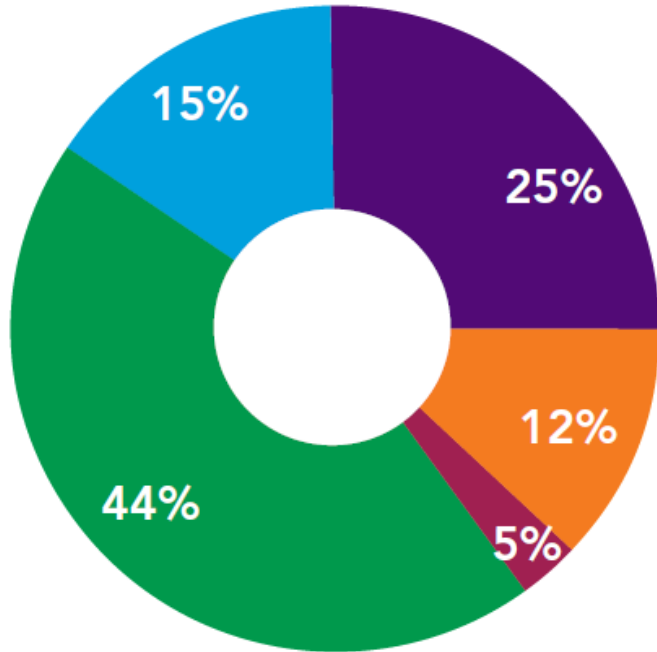
Traditional and/or Roth

Note: Your contributions are automatically traditional unless you choose Roth.

# Investing to Meet Retirement Goals



# Diversification



- Diversification is balancing an investment portfolio by dividing it among different securities, industries or classes
- It reduces risk because it combines a variety of investments which are unlikely to all move in the same direction
- The TSP achieves diversification by tracking specified baskets of investments called “index investment funds”

\*Image is an example of diversification of TSP L-Funds.

# How does diversification benefit your TSP account?



Diversification means spreading money among different investments to reduce risk.

“Don’t put all your eggs in one basket.”



One way to diversify is to allocate your investments among different kinds of assets.

Historically, stocks, bonds, and cash have not moved up and down at the same time.



Factors that may cause one asset class to perform poorly may improve returns for another asset class (and vice versa).



# TSP Passive Investment Strategy

S&P's 500 index stocks

- Facilitate a passive strategy – no need to:
  - Pick individual investments
  - Try to time market movements
- Eliminate the anxiety of trying to beat the market
- Reduce trading costs and investment management fees



Source as of 5/30/2023: <https://finviz.com/map.ashx?t=sec&st=w52>

**The TSP's index investment funds are designed to help maximize growth potential**

# Index Investing



Follows a passive management approach by mirroring an index

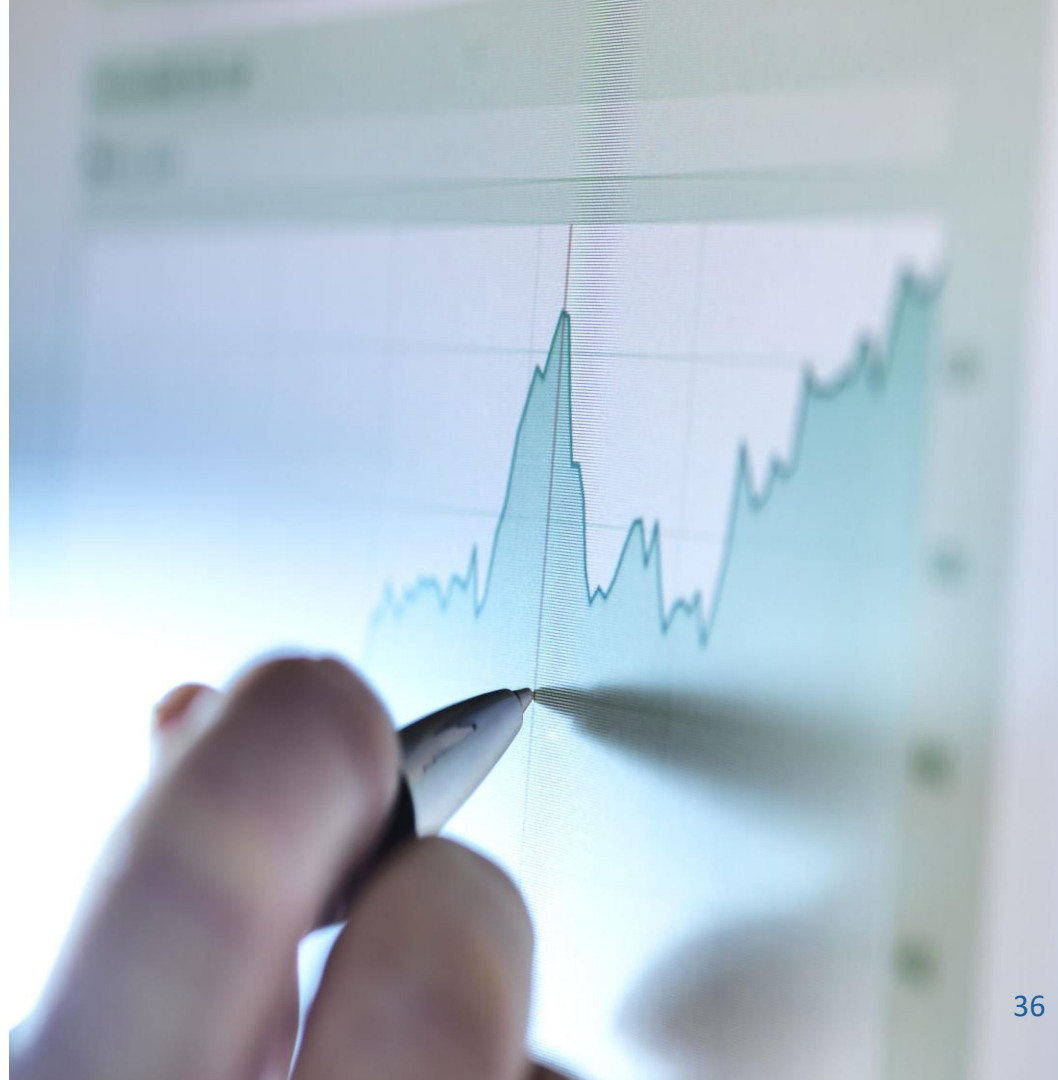


Actively managed funds often have higher expense ratios to account for designing and managing a portfolio that attempts to outperform the relevant benchmark

# Passive Management

- Passively managed funds (index funds) hold securities in amounts based on their relative representation in specific bond or stock market indices
- Index funds attempt to replicate the performance of the index, rather than trying to “beat the market”
- Passive management seeks to produce market returns at the lowest possible cost
- In contrast, actively managed funds seek to outperform their benchmark indices, but can generate higher expenses

# What are the Core TSP funds?



# TSP Investment Managers



The FRTIB implemented a two-manager structure of investment management duties in 2021.



**Black Rock** serves as the primary manager for the C, S, F and I funds.

Managing 80% of the S, F and I funds and 90% of the C fund.



**State Street** Global Advisors was selected as the second manager in 2020.

Managing the remaining 20% in the S, F and I funds and 10% of the C fund.

# We offer 5 individual funds that you can customize based on your comfort level.

## C FUND

Common Stock Index  
Investment Fund

**What It Is:** Stocks of large and medium-sized U.S. companies

**Pros:** Potential for high investment returns over the long term

**Risks:** Can be volatile depending on stock market performance

**Benchmark Index:** Standard & Poor's 500 Stock Index

## S FUND

Small Capitalization Stock  
Index Investment Fund

**What It Is:** Stocks of small to medium-sized U.S. companies

**Pros:** Potential for high investment returns over the long term

**Risks:** Can be volatile depending on stock market performance

**Benchmark Index:** Dow Jones U.S. Completion TSM Index

## I FUND

International Stock Index  
Investment Fund

**What It Is:** International stocks from more than 20 developed countries

**Pros:** Potential for high investment returns over the long term

**Risks:** Can be volatile depending on stock market performance

**Benchmark Index:** MSCI EAFE Stock Index

## F FUND

Fixed Income Index  
Investment Fund

**What It Is:** Government, corporate, and asset-backed bonds

**Pros:** May earn returns that are higher than money market funds over the long term with relatively low risk

**Risks:** Bond prices fall when interest rates rise. Bonds may be repaid early, reducing your returns.

**Benchmark Index:** Bloomberg Barclays U.S. Aggregate Bond Index

## G FUND

Government Securities  
Investment Fund

**What It Is:** Government securities that are specially issued to the TSP

**Pros:** Does not lose money; has a consistent but relatively low investment return

**Risks:** Your money may not grow enough to meet your retirement needs or outpace inflation.



For more comprehensive information, visit [tsp.gov](https://tsp.gov) and select "Learn about fund options" from the menu.

# L FUNDS

## LIFECYCLE FUNDS

- Each of the L Funds is a diversified mix of the five individual funds (G, F, C, S, and I)
- They were designed by our investment consultants to let you invest your entire portfolio in a single L Fund and get the best expected return for the amount of expected risk that is appropriate for you
- The year in the name of the L Fund is its target date, and the exact mix of core funds in each L Fund is called the target allocation
- The farther away the target date, the more aggressive the target allocation
- Time Horizon = when do you plan to start using the funds in your account

## Each L Fund is a mix of individual funds based on when you'll need your money.

### L 2065

- Consider if you were born after 1999 or plan to withdraw from your account after 2062.

**i** For the long-term investor

### L 2060

- Consider if you were born between 1995–1999 or plan to withdraw from your account between 2058–2062.

**i** For the long-term investor

### L 2055

- Consider if you were born between 1990–1994 or plan to withdraw from your account between 2053–2057.

**i** For the long-term investor

### L 2050

- Consider if you were born between 1985–1989 or plan to withdraw from your account between 2048–2052.

**i** For the long-term investor

### L 2045

- Consider if you were born between 1980–1984 or plan to withdraw from your account between 2043–2047.

**i** For the long-term investor

### L 2040

- Consider if you were born between 1975–1979 or plan to withdraw from your account between 2038–2042.

**i** For the long-term investor

### L 2035

- Consider if you were born between 1970–1974 or plan to withdraw from your account between 2033–2037.

**i** For the medium-term investor

### L 2030

- Consider if you were born between 1965–1969 or plan to withdraw from your account between 2028–2032.

**i** For the medium-term investor

### L 2025

- Consider if you were born between 1958–1964 or plan to withdraw from your account between next year and 2027.

**i** For the short-term investor

### L INCOME

- Consider if you were born before 1958 or are already withdrawing from your account.

**i** For those already withdrawing



With the exception of L Income, the investment mix of each L Fund becomes more conservative over time. To change your investments, log in to My Account on [tsp.gov](https://tsp.gov) and choose "Contribution Allocations" or "Interfund Transfers" from the menu.



# Types of TSP Investment Transactions

- **Investment Election** - specify how you want to invest new money coming into your TSP account (contributions, loan payments, and rollovers).
  - Changing your investment election doesn't affect money already in your account. Your investment election remains in effect until you submit a new one.
  - any change to your investment election will ordinarily post to your account immediately and be effective the next business day.
- **Fund Reallocation** - will move the money already in your account among TSP investment funds.
  - You choose the percentage you want invested in each TSP fund.
- **Fund Transfer** - will move money from one or more specific funds to another specific fund or funds without affecting the rest of your account. You can determine a dollar amount or percentage you want to transfer.
  - Fund transfers are also how you move money to and from the mutual fund window.

# Reallocation and Fund Transfers

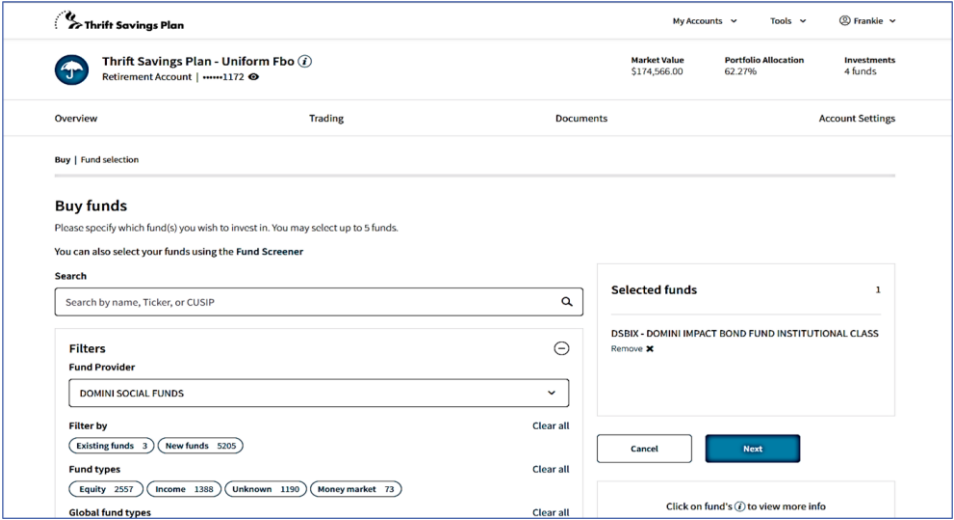
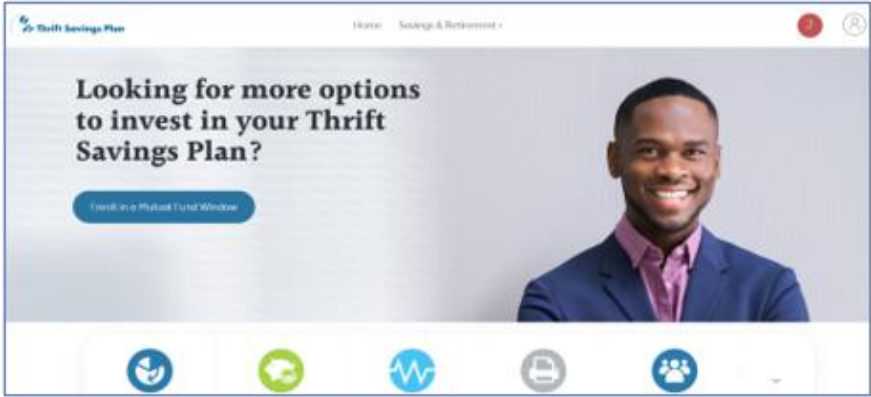
- **Reallocations or fund transfers—**
  - before noon eastern time on any business day, will ordinarily post that business day.
  - A request made at or after noon eastern time on any business day will ordinarily post on the next business day.
- **Reallocations and fund transfers are limited.**
  - Each calendar month, you can use your first two reallocations or fund transfers to redistribute money in your account among any of the TSP funds.
  - After the first two of either transaction type, you can only move money into the G Fund.

# TSP Mutual Fund Window

# Mutual Fund Window

Access new TSP site portal in My Account to buy & sell mutual funds.\*

Thousands of mutual fund options available.



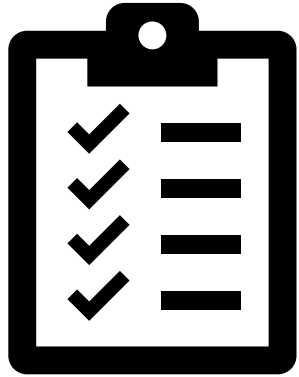
\*Accessing the MFW takes you out of the tsp.gov site.

# Mutual Fund Window - Risks

- Unlike our low-cost TSP funds, mutual funds available through a brokerage account aren't vetted by a plan fiduciary to determine whether they are wise investments.
- This means that you need to carefully review the prospectus for each mutual fund you consider and make your own decisions about which ones will meet your investment goals.
- If you prefer to invest in funds overseen by TSP fiduciaries, you should invest in TSP funds.
- If you choose the mutual fund window option, the first risk to consider is whether your investments in mutual funds will grow enough to offset the additional fees.

# Mutual Fund Window (MFW)

## Eligibility for Mutual Fund Window



**\$10,000** Minimum initial investment  
(transfer from TSP balance).

**25%** No more than 25% of total TSP balance  
invested through the MFW.

**\$40,000** Therefore, must have a minimum of  
\$40,000 in your TSP account.

# How does it work?

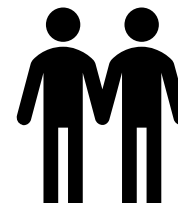
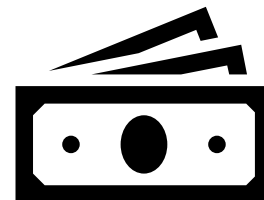
Make the election to move money into the mutual fund window from the core TSP funds.

**Independently select which mutual funds you want to invest in with that money.**

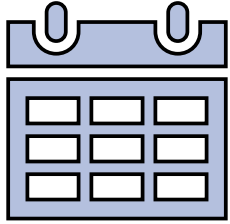
Use a search and filter function to find mutual funds that interest you based on criteria and ratings you select.

Each mutual fund listed will include detailed information in a full prospectus that you'll evaluate before deciding to confirm your purchase.

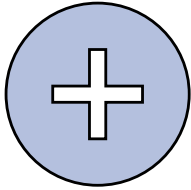
See: [tsp.gov/mutual-fund-window](https://tsp.gov/mutual-fund-window)



# Related MFW Fees



**\$150 annual fee =**  
**\$95 maintenance fee +**  
**\$55 administrative fee.**



**Per trade fee = \$28.75**  
Includes initial & additional  
investment or transfer.



**Other fees and expenses**  
specific to chosen mutual funds.



# TSP RESOURCES



# Website

Plan for a  
lifetime with  
the TSP



Reach us at [tsp.gov](https://tsp.gov)

# ThriftLine

**Available  
Monday-Friday  
7 a.m. to 9 p.m. ET**



**1-877-968-3778**

**International: +1-404-233-4400**



**Live-agent chat**



**Access to AVA 24/7**



**TSP Publications @ [www.tsp.gov/forms/](http://www.tsp.gov/forms/)**



# Your TSP Account

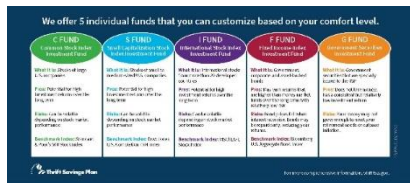
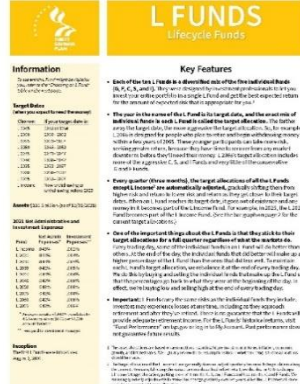
## A Guide for Beneficiary Participants



### General Purpose and Primary Residence



### Financial Hardship and Age-59½



- Installments
- Total and Partial Distributions
- Life Annuities



## Tax Rules about TSP Payments



### Information for Participants and Beneficiaries



# We're here to help. [tsp.gov/contact](https://tsp.gov/contact)



## AVA virtual assistant

[Get help from AVA](#), the TSP virtual assistant, to get answers to general questions. To ask AVA account-specific questions and to connect to a ThriftLine Representative during business hours for a live chat session, log in to My Account and select the icon found on the bottom right of the page.



**ThriftLine:** 1-877-968-3778 (toll free)

**Business Hours:** Monday -Friday from 7:00 a.m. to 9:00 p.m. Eastern Time

**International:** (404) 233-4400 (not toll free)



## General mailing address

ThriftLine Service Center  
C/O Broadridge Processing  
PO Box 1600  
Newark, NJ 07101-1600

## General fax number

1-276-926-8948



## Email us

To contact ThriftLine outside of business hours, please email [thriftline@tsp.gov](mailto:thriftline@tsp.gov).

## Secure participant mailbox

For account-specific communication sent electronically, log in to [My Account](#) and select the notification icon on the far right, to access your Secure Mailbox.

# TSP WEBINARS



Discover webinar options at  
[tsp.gov/online-learning](https://tsp.gov/online-learning)

Webinars are FREE –  
choose a session that fits  
your schedule.

Find topics that relate to  
your needs.

Conducted by TSP training  
staff.

# TSP Mobile App

Easy to find on Apple App Store and Google Play Store

Search: "TSP" or "FRTIB"

